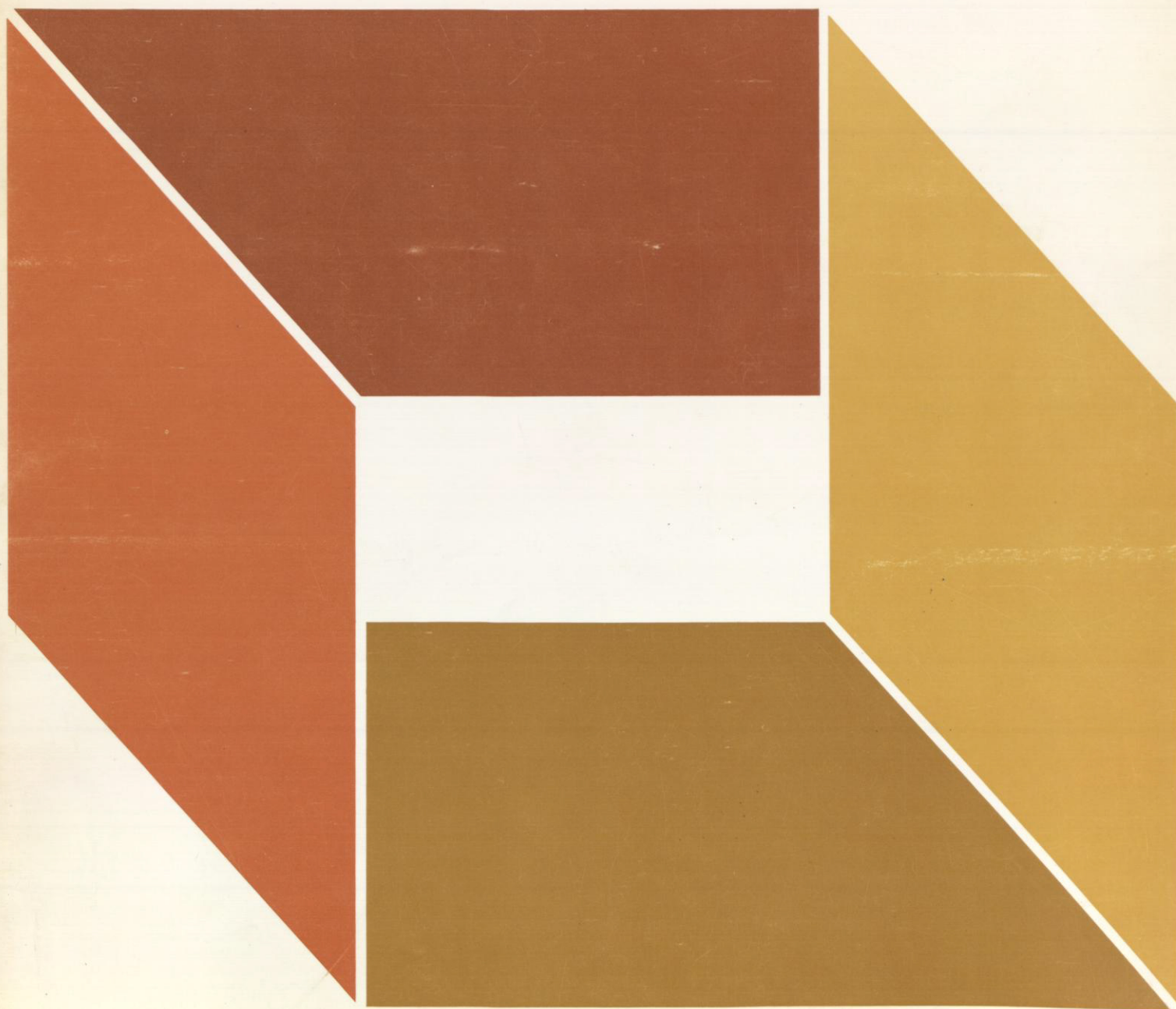


Container Corporation of America

Annual Report

1965

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CORPORATION FILE



Container Corporation of America

Annual Report 1965

Container Corporation of America and Subsidiaries

A Glance At The Last Two Years

	1965	1964
Sales	405 689 000	390 575 000
Earnings	27 301 000	23 140 000
Per common share	2.42	2.06
Per cent return on shareholders' equity	14.2	12.9
Dividends	12 999 000	11 237 000
Per cent of earnings	48	49
Preferred dividends (per share)	3.67	4.00
Common dividends (per share)	1.15	1.00
Earnings retained for requirements of the business	14 302 000	11 903 000
Depreciation and depletion	18 454 000	17 353 000
Plant and paper mill additions and improvements	36 540 000	30 373 000
Working capital (current assets less current liabilities)	65 696 000	73 121 000
Taxes (federal, state, and local)	32 386 000	27 890 000
Per common share	2.89	2.51
Shareholders' equity at year end	203 717 000	191 943 000
Per employee	9 872	9 691

Healthy consumer economy
sparks packaging demand

With the consumer economy maintaining its healthy pace during 1965, the encouraging trends established in the past few years continued to exert a favorable influence on the packaging industry and on Container Corporation of America. As the Gross National Product approached the \$700 billion level, consumer spending rose to \$440 billion. The intimate involvement of packaging in the distribution and marketing of consumer and industrial products was demonstrated by the industry's volume in 1965: the packaging industry achieved an estimated \$13 billion level; paperboard packaging accounted for approximately \$4.7 billion of this total.

Paperboard production attains
record levels during 1965

For the fifth consecutive year, the domestic paperboard industry set a new production record. The 21.3 million tons of paperboard produced by the industry in 1965 were 7 per cent higher than 1964 production of 19.9 million tons. The industry operated at 90 per cent capacity in 1965, compared with 88 per cent of capacity during the previous year. Container Corporation's 14 domestic mills produced 1,248,000 tons of paperboard in 1965, or 5.7 per cent of the industry total.

Container earnings reach record
\$27,301,000; \$2.42 per share

1965 earnings of Container Corporation reached an all-time high of \$27,301,000, which was 18 per cent higher than the \$23,140,000 earned in 1964. This was the fifth consecutive year of profit increases.

The 1965 earnings represent a return of 14.2 per cent on invested capital, a rate of return on equity which continues to be among the highest in the industry, and which represents a significant improvement over the 12.9 per cent return on equity achieved in 1964. Per share earnings in 1965 were \$2.42, compared with \$2.06 per share on fewer shares outstanding at the end of 1964.

Sales increase to all-time
high of \$405,689,000

Sales rose to a record level of \$405,689,000, or 4 per cent higher than the \$390,575,000 record established in 1964. The 1965 record marks the company's eighth consecutive year of sales growth.

These records were established in spite of a prolonged strike during the third quarter. One paperboard mill and five fabricating plants were closed down for ten weeks in the third quarter, and labor difficulties idled a sixth fabricating plant for twenty weeks. Although the total cost of this strike cannot be measured accurately, it is estimated that profits were \$.16 per share lower than the company might have achieved under normal conditions.

Finished packages represent
82 per cent of 1965 sales

Finished packaging products accounted for \$331,583,000, or 82 per cent of total 1965 sales. This total includes sales of corrugated and solid fibre shipping containers, folding cartons, fibre cans, plastic packaging, point-of-purchase displays, and other fabricated products. Sales of paperboard, waste paper, and other products accounted for the remaining \$74,106,000.

Container Corporation is the largest domestic producer of paperboard packages and occupies a leadership position in each of the six western European and Latin American nations in which Container Corporation subsidiaries operate packaging facilities.

Overseas sales and earnings
continue to increase

Sales by the overseas subsidiaries of Container Corporation of America in 1965 rose to \$96,252,000, from \$90,711,000 in 1964, an increase of 6 per cent. Profits from overseas operations were \$5,794,000, compared with \$4,800,000 in 1964, a gain of 21 per cent. The operations of overseas subsidiaries accounted for 24 per cent of total sales and 21 per cent of corporate earnings.

The growth in sales of overseas subsidiaries in 1965 would have been substantially greater had there not been a drastic drop in the value of the Colombian peso during the year. Similarly, although the peso profits of Colombian subsidiaries were greater than in 1964, they were lower when expressed in dollars at year end. The company follows the policy of reporting overseas earnings translated to dollars at the free market rate of the local currency, and maintains a reserve for possible reduction of asset values occasioned by currency devaluation.

Sales and earnings reflect
capital improvements

Sales and earnings records achieved by Container Corporation in 1965 reflected increased volume and improved prices in the paperboard packaging industry, and the increased efficiency which has resulted from the company's selective capital investment program during the past four years.

Quarterly dividend raised
to \$.30 per common share

At its April 1965 meeting, the board of directors increased the regular quarterly common stock dividend from \$.25 to \$.30 per share. Dividends to holders of common stock totaled \$1.15 per share in 1965, compared with \$1.00 per share in 1964.

Redemption of preferred
stock completed in 1965

At the September meeting of the board of directors, approval was given to redeem the entire remaining issue of the company's 4 per cent cumulative preferred stock. Approximately three-fifths of the original issue of \$10,000,000 had previously been reacquired through sinking fund provisions. Redemption of the outstanding two-fifths, completed on November 1, 1965, was financed out of retained earnings.

Ownership of common stock
extends throughout U.S.

At the year's end, there were 11,198,000 shares of common stock outstanding. A total of 16,165 individuals held stock in the corporation. This total does not include shares which were registered in the names of brokers, institutions, and corporations.

Ownership of the common stock of Container Corporation of America is spread among individuals living in each of the 50 states, and in 25 foreign nations. In addition, the common stock is held by approximately 31 mutual funds. From time to time in the past the company has purchased its shares for corporate purposes, including possible acquisitions, and may continue that policy in the future.

1965 capital expenditures
totaled \$36,540,000

The selective modernization and expansion program, which has been the primary reason for the improved earnings Container Corporation has experienced during the

past four years, was continued in 1965. Capital expenditures during the year totaled \$36,540,000, compared with capital expenditures of \$30 million in 1964, \$36 million in 1963, and \$24 million in 1962.

New plants, marketing centers,
currently under construction

As part of the 1965 capital investment program, new shipping container plants are nearing completion at Boston and Houston.

Also under construction are a shipping container plant in Shelby, North Carolina, and a design and marketing center in Santa Clara, California.

A new plant is under construction at Orlando, Florida, to manufacture fibre cans for the citrus industry.

The company is currently building a new shipping container plant and a marketing and research center in the Chicago area, adjacent to the folding carton plant and package design center the company opened in Carol Stream in 1963. When these new facilities are completed in 1966, the Carol Stream operations will constitute the largest and most complete paperboard packaging complex in the world.

The company recently acquired Mullery Paper Packages, Inc., a St. Paul manufacturer of paperboard cartons and fibre cans. This represents Container Corporation's first manufacturing operation in the Minneapolis-St. Paul market area and will vastly improve the company's ability to serve this market.

Plastics operations
consolidated in 1965

Consolidation of the plastics operations of Container Corporation of America was completed in June, with the merger of Delaware Barrel & Drum Company into the corporation and the subsequent formation of the Delaware Plastics Division. This new division is currently producing plastic packaging in six locations for both consumer and industrial products.

The combination of the company's former consumer plastics operations with the recently acquired industrial plastics facilities allows the division to offer the broadest range of molding processes now available in the industry. This

consolidation has produced both organizational and other collateral benefits and provides opportunity for the company to capitalize on the growth potential in this important area of packaging.

Capital investment program
covers all overseas areas

In the overseas division, additional investments were made in all areas. Among the significant items is a six-color gravure press installed at the Augsburg folding carton plant of Europa Carton, A.G., the first such installation in West Germany for the printing of boxboard.

At the Venezuelan boxboard mills of Cartones Nacionales in Valencia, and of Carton de Venezuela in Caracas, production capacity was increased by approximately 20,000 tons per year.

A new corrugated plant under construction in Valencia will be completed and in operation by the second quarter of 1966.

Carton capacity doubled
in Mexican operations

A Mexico City folding carton plant which Container purchased in 1965 doubles the capacity of folding carton operations in Mexico. The acquisition of this property provides an opportunity for substantial participation in the growing Mexican economy and for the attainment of many operating efficiencies.

Also in Mexico, a facility is being established to produce plastic bottles. It is expected that this plant will begin production in the first half of 1966. It will be the first plastics operation of the corporation in overseas areas.

In Colombia a Clupak installation to produce extensible paper for bags was completed during the year. Over \$3 million is being expended in the pulp mill in Colombia, expanding its capacity to produce pulp from local hardwoods.

Research and design programs
meet new customer needs

With expenditures of over \$3 million for research and development, the company continues to develop new combinations of materials, new packaging machinery and new packages for customer needs.

Basic to corporate efforts to tailor packages for every packaged product are the Design and Market Research Laboratories, located throughout the world. These laboratories research new package graphic design concepts to meet the ever changing requirements of distribution and marketing.

**Company timber
holdings increased**

The company purchased 78,057 acres of timberland in 1965. Container Corporation now controls 491,463 acres of timberland through fee simple ownership, long-term leases, and timber rights, ensuring a continuous supply of pulpwood for its domestic paperboard mills.

The major portion of the pulpwood requirements of Container Corporation mills continues to be met through purchases from independent landowners, forest farmers, and chip producers.

**Employee benefit program
continues to lead industry**

Container Corporation contributed \$2,122,000 to its stock bonus plan for the benefit of 2,120 employee members in 1965. At year's end the Container Common Stock Trust Fund owned 733,378 shares of the outstanding common stock of the company.

At the close of 1965, a total of 1,118 employees or their joint annuitants were receiving pensions under the company's pension plan. A total of 1,804 employees have received pensions since the original plans were instituted. The company's group insurance and other benefit programs continue to provide protection and security for the 20,635 employees who constitute the most important asset of the company.

**Grants of \$388,000 made
by Container Foundation**

The company made a contribution of \$350,000 to the Container Corporation of America Foundation in 1965. A non-profit corporation established to aid charitable, scientific, and educational institutions, the foundation made grants totaling \$388,000 during 1965. Of these, 35 per cent were made to charitable organizations; 3 per cent to aid scientific research; and 62 per cent to educational institutions.

New officers elected to
strengthen organization

The board of directors made provisions for strengthening the operations of the company in 1965 through the election of several new officers.

Henry G. Van der Eb was elected an executive vice president of the company, with responsibility for corporate development, a newly defined position in the corporation. Mr. Van der Eb will report directly to the chief executive officer, with responsibilities which will include evaluation and recommendation of expansion opportunities as well as conceiving, planning, and assisting with the implementation of programs for the development of the company's human resources. He will be responsible for the offices of treasurer, personnel, industrial relations, research and development, design, advertising, and public relations, and will continue to direct the company's Delaware Plastics Division during its development phase. Mr. Van der Eb has been associated with Container Corporation since 1946 and has been a senior vice president since December 1961, with responsibility for the folding carton, fibre can, and plastics divisions.

Everett G. Temple was elected a senior vice president with management responsibility for the domestic shipping container division.

R. Harper Brown was elected a vice president of the company and subsequently assigned management responsibility for domestic folding carton fabricating operations.

The board of directors elected six other vice presidents with important staff and operational responsibilities: Robert J. Brockman, in charge of the company's fibre can division;

Macon M. Dalton, division general manager of the mid-west shipping container division;

Jerome S. Heisler, in charge of the newly-formed Delaware Plastics Division;

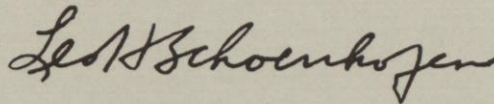
William P. Peters, director of research and development for the corporation;

James F. Tate, division general manager of the central shipping container division;

David C. Whitehouse, division general manager of the western folding carton division.

During 1965 the company continued to emphasize the recruitment and development of outstanding personnel to assure a source of continuing professional management for the future.

The accomplishments of the past year represent the combined achievements of dedicated personnel. While the short-term business outlook is quite favorable, with high volume and improved prices for 1966, it is the continued dedication of all personnel which holds the promise of leadership and profitability for the future.

A handwritten signature in dark ink, reading "Leo H. Schoenhofen". The signature is written in a cursive style with a large, stylized "L" and "S".

Leo H. Schoenhofen
President and Chief Executive Officer

The Annual Meeting of the shareholders will be held on Tuesday, April 26, 1966. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 25, 1966, at which time proxies will be requested by the management.

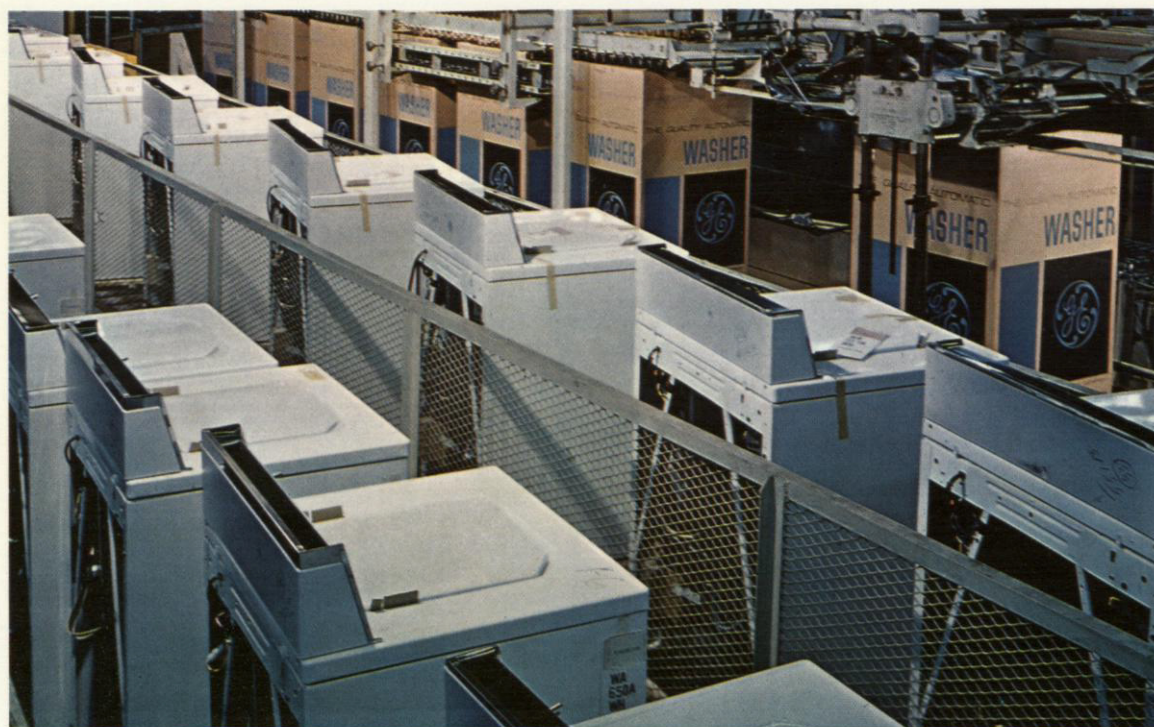
The U.S. economy today depends heavily on industries which market their products to the consumer. These marketing industries continue to grow in importance. The past decade has seen them rise to the point where they are today a major factor in the growth of the private sector of the economy. As these industries have grown, the nature of our economy has changed emphasis—from production to marketing. A key factor in this change has been the evolution of distribution patterns, with heavier focus on the distribution and marketing aspects of the production-consumption cycle.



Packaging has played an important role in this growth and change. The packaging industry has served as the catalyst in the growth process of numerous industries it serves. The most dynamic growth industries today include many which use heavy volumes of packaging, and may almost be said to owe their existence to packaging. The wholesaling and retailing industry, for example, trends more and more heavily toward being a handler of packages, as self-service continues to expand. As our distribution-marketing evolution continues along its path, we can realistically expect the role of packaging to grow. Container Corporation of America, by serving the needs of the nation's distribution and marketing industries, is prepared to share in, and contribute to, this growth.

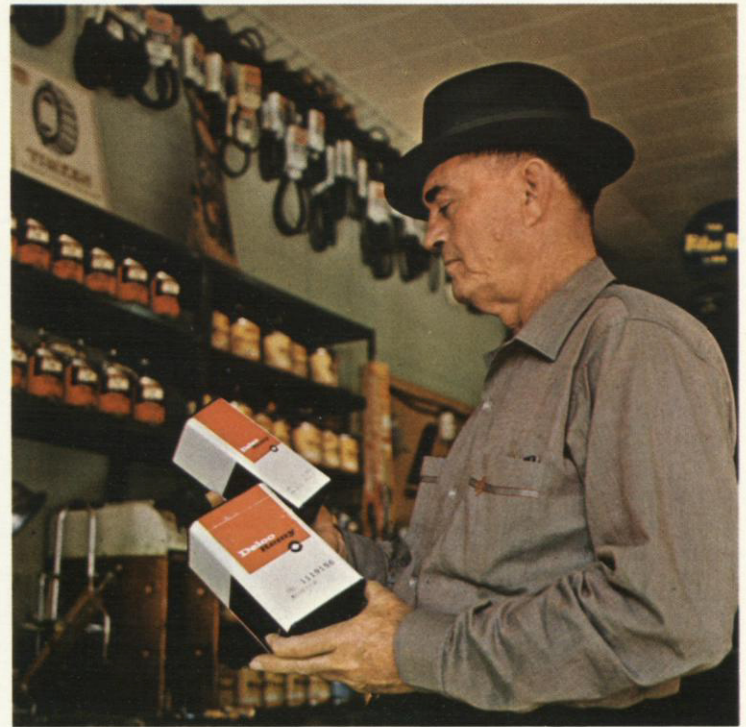


The electrical machinery industry, which has doubled its size during the past decade, is slated for additional growth during the next five years. Electric appliances and housewares, most of which today are packaged, represent a significant part of this growing industry.



Soap and detergent manufacturers, heavy users of paperboard packages, are an important factor in the giant chemical industry, which has nearly doubled in size during the past decade. By 1970, it is estimated, value added by manufacture in chemicals and related products will be approximately \$25.5 billion annually.

The \$36.2 billion automotive industry has doubled in the past decade. An important segment of this booming industry is the parts market, which uses substantial quantities of paperboard packaging.



Transportation and warehousing today is involved largely with the handling of items which are packed in some form of container. The future importance of transportation and warehousing in our distribution system is indicated by the rate of growth forecast for the transportation equipment manufacturing industry. By 1970, it is estimated that value added by manufacture in this industry will reach an annual level of \$31.5 billion.



Changes in mass marketing have been most evident in food retailing, a \$67 billion business last year. The number of supermarkets in the country has doubled during the past ten years, from 15,000 to 30,000. During this decade, the supermarket has become the primary means of distribution for the giant food manufacturing industry.

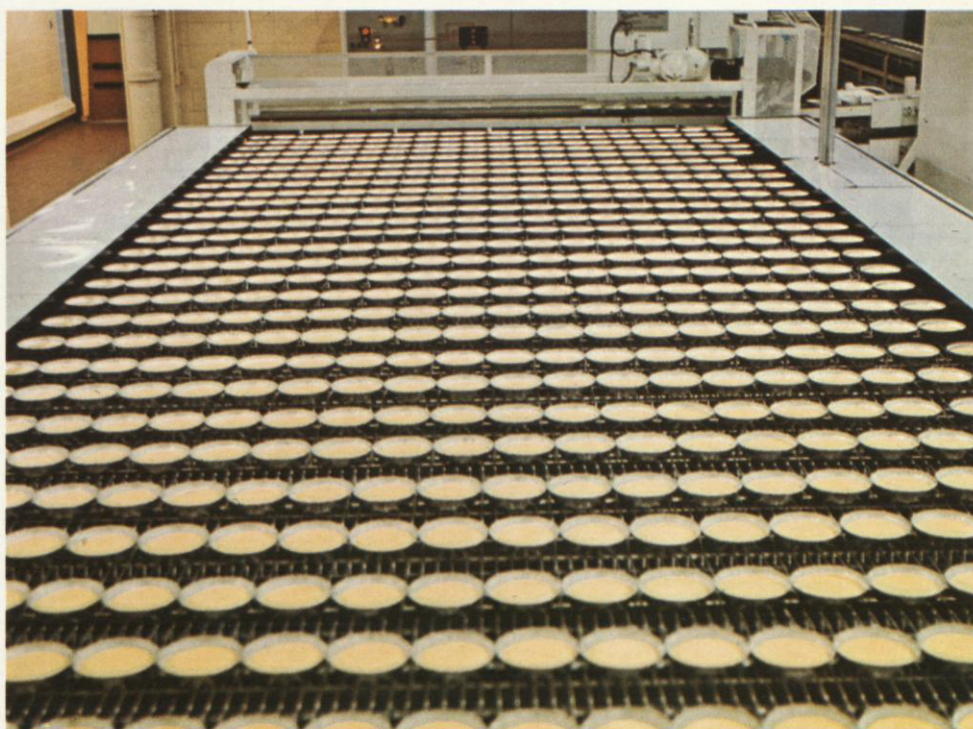


Increased self-service and improved packaging have been major factors in the growth of the pharmaceutical industry. The value of products produced and shipped by this industry has almost doubled during the past ten years.

The ten-year success story of American book clubs, together with other changes in book merchandising, has boosted the book printing industry by 119 per cent during the past ten years. Corrugated shipping containers, one of the principal products produced by Container Corporation, are a major vehicle in the distribution system of this dynamic industry.

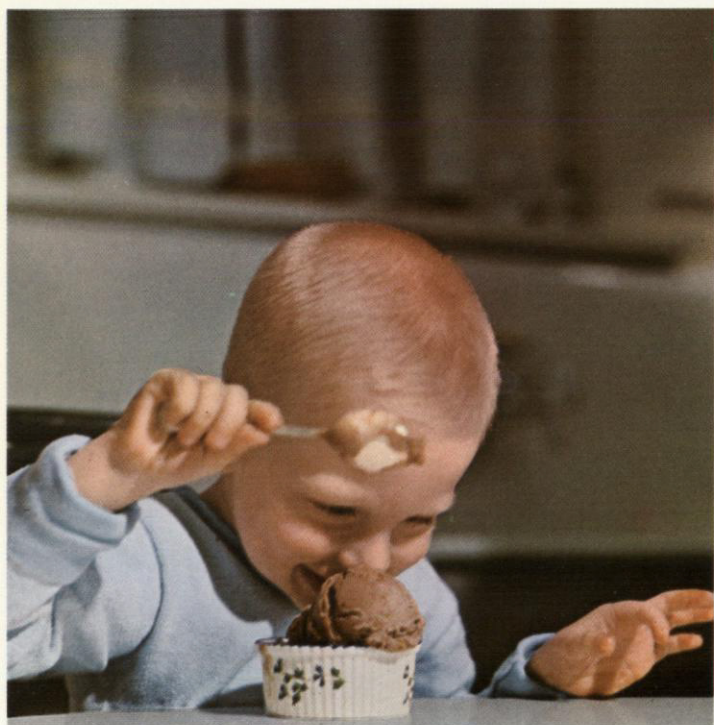


The frozen food industry, one of the nation's most rapidly growing businesses, combines sophisticated production, marketing and packaging techniques. During the past ten years, the value of domestic frozen food shipments has increased more than four times as fast as the gross national product.



The insatiable appetites of America's growing families have boosted sales of ice cream and frozen desserts by 40 per cent in the past decade. Confectionery items, marketed mostly in packages made of paperboard, also experienced a 40 per cent growth rate.

Changing patterns of living have had a stimulating effect on the sale of soft drinks and other beverages. During the past ten years, sales of beverages have increased at a rate that is substantially faster than population growth.



Snack foods, which derive much of their appeal from their packages, have grown twice as fast as the nation's population in recent years. The value of biscuit, cookie, and cracker shipments reported in the 1963 census of business was \$1.1 billion.

Cosmetics and other beauty aids, most of which are packaged products, have been growing almost three times as fast as the gross national product.



The packaging products and services of Container Corporation of America are available through these facilities located in key marketing and distribution centers of the United States, Latin America and Western Europe.

UNITED STATES

FOLDING CARTONS

Arlington, Texas
Boston, Mass.
Chattanooga, Tenn.
Chicago (Carol Stream), Ill.
Fort Wayne, Ind.
Greensboro, N.C.
Los Angeles, Calif.
Philadelphia, Pa.
Renton, Wash.
St. Paul, Minn.
Santa Clara, Calif.
Solon, Ohio
Valley Forge, Pa.

SHIPPING CONTAINERS

Anderson, Ind.
Baltimore, Md.
Boston, Mass.
Chattanooga, Tenn.
Chicago, Ill.
Cincinnati, Ohio
Dolton, Ill.
Fernandina, Fla.
Fort Worth, Texas
Fresno, Calif.
Fulton, New York
Houston, Texas
Knoxville, Tenn.
Los Angeles, Calif.
Louisville, Ky.
Memphis, Tenn.
Muskogee, Okla.
Nashville, Tenn.
New Brunswick, N.J.
Oakland, Calif.
Philadelphia, Pa.
Portland, Oregon
Rock Island, Ill.
Seattle, Wash.
Sioux City, Iowa
St. Louis, Mo.
Winston-Salem, N.C.

DISPLAYS

Chicago, Ill.
Cincinnati, Ohio
New Brunswick, N.J.
Oakland, Calif.
Rock Island, Ill.

FIBRE CANS

Dallas, Texas
Jamesburg, N.J.
Jeffersonville, Ind.
Los Angeles, Calif.
New Orleans, La.
Orlando, Fla.
Piqua, Ohio
Portland, Ore.

San Jose, Calif.

St. Louis, Mo.

St. Paul, Minn.

PLASTICS

Chicago, Ill. (2)
Los Angeles, Calif.
St. Louis, Mo.
Totowa, N.J.
Wilmington, Del.

PAPERBOARD MILLS

Brewton, Ala.
Carthage, Ind.
Chattanooga, Tenn.
Chicago, Ill. (2)
Cincinnati, Ohio
Circleville, Ohio
Fernandina, Fla.
Los Angeles, Calif.
Philadelphia, Pa.
Santa Clara, Calif.
Tacoma, Wash.
Wabash, Ind.
Wilmington, Del.

PAPER STOCK

Baltimore, Md.
Chicago, Ill.
Detroit, Mich.
Kalamazoo, Mich.
Los Angeles, Calif.
Philadelphia, Pa.

LATIN AMERICA

FOLDING CARTONS

Cali, Colombia
Mexico City, Mexico (2)
Caracas, Venezuela
Valencia, Venezuela

SHIPPING CONTAINERS

Barranquilla, Colombia
Bogota, Colombia
Cali, Colombia
Medellin, Colombia
Maracas, Venezuela
Maracaibo, Venezuela
Maracay, Venezuela
Mexico City, Mexico

FIBRE CANS

Cali, Colombia
Mexico City, Mexico

MULTIWALL BAGS

Cali, Colombia

PAPERBOARD MILLS

Cali, Colombia (2)
Mexico City, Mexico (2)
Caracas, Venezuela
Valencia, Venezuela

PAPER STOCK

Colombia
Mexico
Venezuela

WESTERN EUROPE

FOLDING CARTONS

Augsburg, West Germany
Bremen, West Germany
Hamburg, West Germany
Orsenigo (Como), Italy

SHIPPING CONTAINERS

Düsseldorf, West Germany
Hamburg, West Germany
Heppenheim, West Germany
Lübbecke, West Germany
Neuburg, West Germany
Novi Ligure, Italy
Soest, Netherlands

FIBRE CANS

Orsenigo (Como), Italy

PAPERBOARD MILLS

Alling, West Germany
Hoya, West Germany
Lübbecke, West Germany
Viersen, West Germany
Milan, Italy

PAPER STOCK

West Germany

Container Corporation of America and Subsidiaries

Consolidated Balance Sheets — December 31, 1965 and 1964

Assets	1965	1964
Current assets		
Cash	\$ 9 525 000	\$ 10 486 000
Marketable securities	14 532 000	27 441 000
Receivables, less reserves	40 838 000	35 673 000
Inventories—priced at the lower of average cost or market	44 967 000	41 050 000
Prepaid expenses	4 417 000	3 828 000
Total current assets	114 279 000	118 478 000
Investments and advances, at cost	3 185 000	2 830 000
Plant and equipment, at cost		
Land and timberland, less depletion	25 957 000	17 114 000
Buildings, machinery, equipment, etc.	352 120 000	322 832 000
Less—Reserves for depreciation	166 211 000	147 285 000
Total plant and equipment	211 866 000	192 661 000
Deferred charges	4 497 000	3 514 000
	\$333 827 000	\$317 483 000

(1) Sinking fund requirements for the 3.30% sinking fund debentures are \$1,400,000 annually through 1979 and \$8,400,000 in 1980 and for the 4.40% sinking fund debentures are \$1,000,000 annually beginning in 1968 through 1986 and \$6,000,000 in 1987. Under the terms of the more restrictive of the debenture indentures and certain other restrictions, approximately \$75,000,000 of the consolidated earnings retained at December 31, 1965, were restricted as to cash dividends on and acquisitions of the company's capital stock.

Liabilities	1965	1964
Current liabilities		
Short-term loans and current portion of long-term debt	\$ 4 587 000	\$ 4 258 000
Accounts payable and accrued expenses	29 419 000	27 281 000
Accrued income taxes	14 577 000	13 818 000
Total current liabilities	48 583 000	45 357 000
Deferred income taxes and other liabilities	12 850 000	8 823 000
Long-term debt		
3.30% sinking fund debentures, due 1980, less current portion (Note 1)	23 973 000	25 693 000
4.40% sinking fund debentures, due 1987 (Note 1)	24 116 000	24 957 000
Other	11 743 000	12 693 000
Total long-term debt	59 832 000	63 343 000
Minority interest in subsidiaries	8 845 000	8 017 000
Shareholders' equity		
4% cumulative preferred stock, \$100 par value; authorized and issued 43,000 shares, less 1,303 shares held in treasury at December 31, 1964	—	4 171 000
Common stock, \$5 par value; authorized 15,000,000 shares, issued 11,200,438 shares at December 31, 1965 (Note 2)	56 002 000	55 658 000
Shareholders' investment in excess of par value	8 832 000	7 835 000
Earnings retained for requirements of the business (Note 1)	138 951 000	124 649 000
Deduct—Cost of common stock held in treasury (2,000 shares at December 31, 1965)	68 000	370 000
Total Shareholders' equity	203 717 000	191 943 000
	\$333 827 000	\$317 483 000

(2) Under the stock option plan for officers and key employees, options to purchase 159,837 shares were outstanding at January 1, 1965. During the year, options for 68,770 shares were exercised and 440 cancelled. At December 31, 1965, options to purchase 90,627 shares at prices ranging from \$18.19 to \$27.88 per share were outstanding and exercisable. Unexercised options expire by 1970. The privilege of granting options expired on January 1, 1961. In addition, as a result of a pooling of interests in 1964, options to purchase 3,725 shares (2,313 exercisable) at prices ranging from \$19.60 to \$31.15, were outstanding at December 31, 1965 and options for 146 shares were exercised during the year.

Container Corporation of America and Subsidiaries

Statements of Consolidated Earnings

For the Years Ended December 31, 1965 and 1964

	1965	1964
Net sales	\$405 689 000	\$390 575 000
Cost of sales	315 426 000	307 260 000
Gross income from operations	90 263 000	83 315 000
Selling, administrative and research expenses	35 811 000	35 078 000
Income from operations	54 452 000	48 237 000
Provision for estimated losses on future retirement of obsolete equipment	—	2 800 000
Other deductions, net	4 293 000	3 337 000
Earnings before income taxes	50 159 000	42 100 000
Provision for income taxes	22 858 000	18 960 000
Earnings for the year	\$ 27 301 000	\$ 23 140 000

Statements of Consolidated Shareholders' Investment in Excess of Par Value

and Consolidated Earnings Retained for Requirements of the Business

For the Year Ended December 31, 1965

	Shareholders' Investment in Excess of Par Value	Earnings retained for requirements of the business
Balance at December 31, 1964	\$7 835 000	\$124 649 000
Earnings for the year	—	27 301 000
Cash dividends —		
Preferred stock (\$3.67 per share)	—	151 000
Common stock (\$1.15 per share)	—	12 848 000
Excess of selling price over par value of common stock sold under stock option plan (68,916 shares)	1 056 000	—
Excess of redemption price over par value of preferred stock retired (40,617 shares)	61 000	—
Excess of par value over cost of preferred stock retired for sinking fund (2,383 shares)	2 000	—
Balance at December 31, 1965 (Note 1)	\$8 832 000	\$138 951 000

The accompanying notes are an integral part of these statements.

Consolidated Application of Funds Statement

For the year ended December 31, 1965

Funds were provided from the following sources:

Earnings for the year	\$27 301 000
Provision for depreciation and depletion	18 454 000
Increase in deferred income taxes and other liabilities	4 027 000
Increase in long-term debt	1 744 000
Proceeds from exercise of stock options	1 400 000
Other	1 346 000
Total funds provided	54 272 000

Funds were expended for the following:

Plant and equipment additions and improvements	36 540 000
Net property from acquisition and consolidation of subsidiaries	1 335 000
Dividends—	
Preferred	151 000
Common	12 848 000
Purchase and redemption of preferred stock	4 171 000
Repayment of long-term debt	5 255 000
Other	1 397 000
Total funds expended	61 697 000
Resulting in a decrease in working capital of	\$ 7 425 000

Auditors' Opinion

To the Shareholders of Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and subsidiaries as of December 31, 1965, and the related statements of consolidated earnings, consolidated shareholders' investment in excess of par value, consolidated earnings retained for requirements of the business and consolidated application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

In our opinion, the financial statements described above present fairly the financial position of Container Corporation of America and subsidiaries as of December 31, 1965, and the results of their operations and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois, January 31, 1966

ARTHUR ANDERSEN & CO.

Container Corporation of America and Subsidiaries

Domestic And Overseas Net Assets — December 31, 1965 and 1964 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1965	1964	1965	1964	1965	1964
Current Assets:						
Cash and marketable securities	24 057	37 927	18 970	32 741	5 087	5 186
Receivables, less reserves	40 838	35 673	29 322	25 803	11 516	9 870
Inventories	44 967	41 050	28 837	27 829	16 130	13 221
Prepaid expenses	4 417	3 828	3 463	2 935	954	893
Total current assets	114 279	118 478	80 592	89 308	33 687	29 170
Investments and advances	3 185	2 830	2 218	2 009	967	821
Plant and equipment, less reserves	211 866	192 661	156 494	139 220	55 372	53 441
Deferred charges	4 497	3 514	2 581	2 584	1 916	930
Total assets	333 827	317 483	241 885	233 121	91 942	84 362
Current Liabilities:						
Short-term loans & current portion of long-term debt	4 587	4 258	311	99	4 276	4 159
Accounts payable and accrued expenses	29 419	27 281	21 576	20 668	7 843	6 613
Accrued income taxes	14 577	13 818	10 014	9 637	4 563	4 181
Total current liabilities	48 583	45 357	31 901	30 404	16 682	14 953
Deferred income taxes and other liabilities	12 850	8 823	9 740	6 520	3 110	2 303
Long-term debt	59 832	63 343	49 667	52 005	10 165	11 338
Total liabilities	121 265	117 523	91 308	88 929	29 957	28 594
Total net assets	212 562	199 960	150 577	144 192	61 985	55 768
Minority interest in subsidiaries	8 845	8 017	—	—	8 845	8 017
Shareholders' equity	203 717	191 943	150 577	144 192	53 140	47 751

Domestic And Overseas Income Accounts For The Years 1965 And 1964 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1965	1964	1965	1964	1965	1964
Net sales	405 689	390 575	309 437	299 864	96 252	90 711
Cost of sales	315 426	307 260	241 993	237 106	73 433	70 154
Gross income from operations	90 263	83 315	67 444	62 758	22 819	20 557
Selling, administrative and research expenses	35 811	35 078	28 160	28 270	7 651	6 808
Income from operations	54 452	48 237	39 284	34 488	15 168	13 749
Provision for estimated losses on future retirement of obsolete equipment	—	2 800	—	2 800	—	—
Other deductions, net	4 293	3 337	861	316	3 432*	3 021*
Earnings before income taxes	50 159	42 100	38 423	31 372	11 736	10 728
Provision for income taxes	22 858	18 960	16 916	13 032	5 942	5 928
Earnings for the year	27 301	23 140	21 507	18 340	5 794	4 800

*Includes deduction for minority interest of \$1,249,000 in 1965 and \$1,148,000 in 1964.

Quarterly earnings per share on common stock outstanding

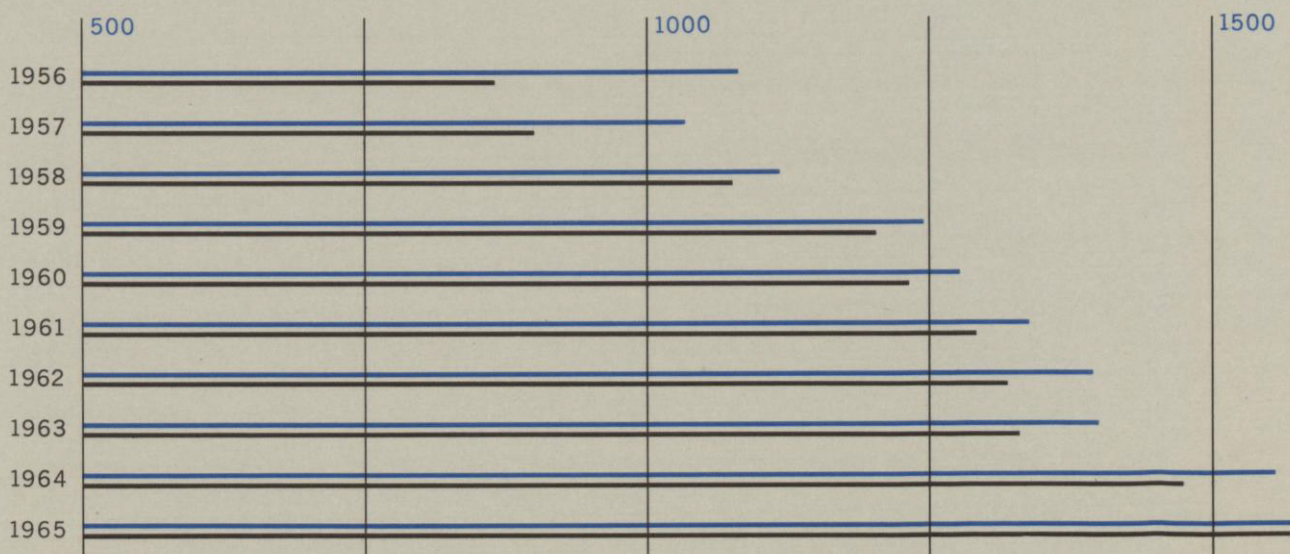
	1965	1964
1st Quarter	.62	.47
2nd Quarter	.66	.55
3rd Quarter	.49	.51
4th Quarter	.65	.53
Total	2.42	2.06

Dividends disbursed in 1965 were as follows:

Preferred Stock		Common Stock	
March 1	1.00	February 25	.25
June 1	1.00	May 25	.30
September 1	1.00	August 25	.30
November 1	.67	November 24	.30
Total	3.67		1.15

Distribution of sales dollars according to product classifications

Corrugated and solid fibre shipping containers	\$187 839 000	46%
Folding cartons, fibre cans and plastic products	143 744 000	36
Paperboard, waste paper, and other	74 106 000	18
Net sales	\$405 689 000	100%



Finished Product Shipped (In Thousands of Tons)
 Mill Production (In Thousands of Tons)

Container Corporation of America and Subsidiaries

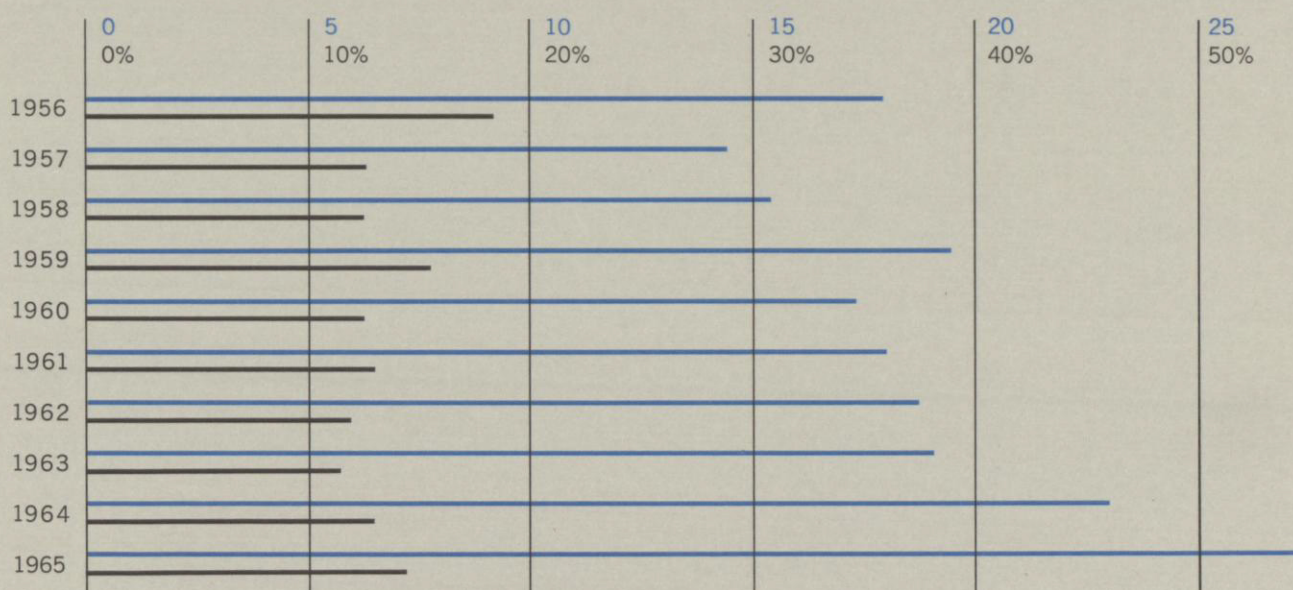
Earnings Statements for Ten Year Period Ended December 31, 1965

	1965	1964
Sales	405 689 000	390 575 000
Cost of Sales	315 426 000	307 260 000
Gross income	90 263 000	83 315 000
Selling, administrative and research expenses	35 811 000	35 078 000
Income from operations	54 452 000	48 237 000
Other deductions, <i>income</i> , net	4 293 000	6 137 000
Earnings before income taxes	50 159 000	42 100 000
Provision for income taxes	22 858 000	18 960 000
Earnings for the year	27 301 000	23 140 000
Depreciation and depletion	18 454 000	17 353 000
Earnings per share of common stock	2.42	2.06
Return on shareholders' equity	14.2%	12.9%

Record of Dividends for Ten Year Period Ended December 31, 1965

Total dividends	12 999 000	11 237 000
Dividends paid per share		
Preferred stock	3.67	4.00
Common stock	1.15	1.00

Note: Overseas subsidiaries consolidated since 1958. †Excludes non-recurring earnings of \$1,894,000 or 18¢ per share.



Net Income in Millions of Dollars

Percent Return on Shareholders' Investment

1962	1961	1960	1959	1958	1957	1956
27 735 000	30 299 000	20 138 000	16 425 000	19 005 000	16 865 000	34 456 000
30 364 000	29 315 000	28 120 000	24 557 000	22 643 000	15 600 000	15 078 000
33 187 000	30 979 000	32 430 000	31 725 000	29 680 000	24 232 000	22 252 000
3 121 000	3 341 000	2 644 000	3 343 000	3 206 000	2 314 000	2 267 000
94 407 000	93 934 000	83 332 000	76 050 000	74 534 000	59 011 000	74 053 000
23 939 000	—	—	—	—	—	16 754 000
3 479 000	3 035 000	2 529 000	4 815 000	2 286 000	12 806 000	11 942 000
14 696 000	14 281 000	12 182 000	10 721 000	10 622 000	8 927 000	8 436 000
268 592 000	247 860 000	233 654 000	215 252 000	200 527 000	159 784 000	125 651 000
<i>118 870 000</i>	<i>105 415 000</i>	<i>95 166 000</i>	<i>84 043 000</i>	<i>74 365 000</i>	<i>62 835 000</i>	<i>58 086 000</i>
4 385 000	3 709 000	3 464 000	3 316 000	3 273 000	3 103 000	1 657 000
290 628 000	257 404 000	239 995 000	226 111 000	216 877 000	180 796 000	180 407 000
8 606 000	8 739 000	6 042 000	8 246 000	15 020 000	—	—
23 663 000	23 717 000	20 765 000	19 592 000	18 228 000	12 506 000	11 222 000
12 839 000	15 184 000	14 254 000	12 704 000	11 560 000	12 576 000	17 363 000
45 108 000	47 640 000	41 061 000	40 542 000	44 808 000	25 082 000	28 585 000
6 879 000	3 844 000	3 254 000	2 509 000	1 715 000	276 000	—
29 861 000	31 359 000	33 600 000	34 947 000	35 000 000	35 000 000	35 000 000
25 000 000	—	—	—	—	—	—
10 076 000	11 332 000	9 979 000	4 112 000	1 259 000	550 000	700 000
7 230 000	7 036 000	6 689 000	6 816 000	6 308 000	666 000	645 000
5 734 000	6 108 000	6 431 000	6 733 000	7 007 000	7 297 000	7 341 000
53 800 000	53 552 000	53 365 000	52 778 000	52 564 000	52 545 000	52 544 000
3 789 000	3 010 000	2 403 000	686 000	59 000	—	—
103 151 000	93 523 000	83 213 000	76 988 000	68 157 000	59 380 000	55 592 000
—	—	—	—	—	—	—
290 628 000	257 404 000	239 995 000	226 111 000	216 877 000	180 796 000	180 407 000
166 474 000	156 193 000	145 412 000	137 185 000	127 787 000	119 222 000	115 477 000
14.94	14.01	13.02	12.36	11.49	10.65	10.29
49 299 000	46 294 000	42 271 000	35 508 000	29 726 000	33 929 000	45 468 000
2.09 to 1	1.97 to 1	2.03 to 1	1.88 to 1	1.66 to 1	2.35 to 1	2.59 to 1

Container Corporation of America and Subsidiaries

Year-End Balance Sheets for Ten Year Period Ended December 31, 1965

Assets

	1965	1964	1963
Cash and marketable securities	24 057 000	37 927 000	29 172 000
Receivables, less reserves	40 838 000	35 673 000	34 535 000
Inventories	44 967 000	41 050 000	36 575 000
Prepaid expenses	4 417 000	3 828 000	2 944 000
Total current assets	114 279 000	118 478 000	103 226 000
Cash and securities set aside for plant additions and improvements	—	—	10 384 000
Investments and advances	3 185 000	2 830 000	4 035 000
Land and timberland	25 957 000	17 114 000	15 879 000
Buildings, machinery and equipment	352 120 000	322 832 000	299 771 000
Reserves for depreciation	166 211 000	147 285 000	131 972 000
Deferred charges	4 497 000	3 514 000	4 863 000
	333 827 000	317 483 000	306 186 000

Liabilities

Short-term loans and current portion of long-term debt	4 587 000	4 258 000	9 796 000
Accounts payable and accrued expenses	29 419 000	27 281 000	24 562 000
Accrued income taxes	14 577 000	13 818 000	13 219 000
Total current liabilities	48 583 000	45 357 000	47 577 000
Deferred income taxes and other liabilities	12 850 000	8 823 000	8 661 000
3.3% debentures, due 1980	23 973 000	25 693 000	27 140 000
4.4% debentures, due 1987	24 116 000	24 957 000	25 000 000
Other long-term debt	11 743 000	12 693 000	10 347 000
Minority interest in subsidiaries	8 845 000	8 017 000	7 535 000
Shareholders' equity			
Preferred stock, less treasury stock and sinking fund provision	—	4 171 000	5 509 000
Common stock	56 002 000	55 658 000	55 222 000
Shareholders' investment in excess of par value	8 832 000	7 835 000	6 449 000
Earnings retained	138 951 000	124 649 000	112 746 000
Common stock held in treasury	68 000	370 000	—
	333 827 000	317 483 000	306 186 000
Shareholders' equity	203 717 000	191 943 000	179 926 000
Equity per common share	18.19	16.89	15.79
Working capital	65 696 000	73 121 000	55 649 000
Current ratio	2.35 to 1	2.61 to 1	2.17 to 1

Note: Overseas subsidiaries consolidated since 1958.

1963	1962	1961	1960	1959	1958	1957	1956
356 814 000	343 045 000	330 098 000	327 262 000	322 287 000	289 600 000	256 116 000	276 009 000
282 466 000	272 596 000	262 412 000	260 954 000	255 218 000	234 162 000	205 421 000	217 185 000
74 348 000	70 449 000	67 686 000	66 308 000	67 069 000	55 438 000	50 695 000	58 824 000
32 396 000	30 847 000	28 796 000	29 476 000	26 605 000	23 859 000	21 468 000	21 948 000
41 952 000	39 602 000	38 890 000	36 832 000	40 464 000	31 579 000	29 227 000	36 876 000
2 580 000	1 312 000	2 082 000	1 421 000	1 060 000	399 000	563 000	1 055 000
39 372 000	38 290 000	36 808 000	35 411 000	39 404 000	31 180 000	29 790 000	37 931 000
20 247 000	19 620 000	18 510 000	18 335 000	19 765 000	16 100 000	15 200 000	19 700 000
19 125 000	18 670 000	18 298 000†	17 076 000	19 639 000	15 080 000	14 590 000	18 231 000
15 831 000	14 772 000	13 467 000	12 829 000	11 703 000	10 741 000	6 756 000	6 060 000
1.71	1.72	1.68†	1.57	1.83	1.41	1.36	1.71
11.4%	12.0%	12.6%	12.4%	15.4%	12.2%	12.6%	18.3%
10 253 000	9 042 000	9 882 000	10 851 000	10 808 000	10 797 000	10 801 000	8 767 000
4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
.92½	.82½	.90	1.00	1.00	1.00	1.00	.81¼



Earnings per Share
Dividends per Share

Container Corporation of America
38 South Dearborn Street, Chicago

Directors:

Thomas F. Cass, Executive Vice President, Chicago, Illinois
Frederick S. Crysler, Executive Vice President, Chicago, Illinois
Wesley M. Dixon,* Chicago, Illinois, Retired
John L. Dole, Chairman of the Board and Chief Executive Officer, The Dole Valve Company, Morton Grove, Illinois
Gaylord A. Freeman, Jr.,* Vice Chairman of the Board, The First National Bank of Chicago, Chicago, Illinois
Albert H. Gordon,* Chairman of the Board, Kidder, Peabody & Co., Incorporated, New York, New York
Robert S. Ingersoll, Chairman and Chief Executive Officer, Borg-Warner Corporation, Chicago, Illinois
John F. Merriam, Chairman of the Board and Chief Executive Officer, Northern Natural Gas Company, Omaha, Nebraska
Leo H. Schoenhofen,* President and Chief Executive Officer, Chicago, Illinois
John V. Spachner,* Chicago, Illinois, Retired

Executive Officers:

Leo H. Schoenhofen, President and Chief Executive Officer
Thomas F. Cass, Executive Vice President
Frederick S. Crysler, Executive Vice President
Henry G. Van der Eb, Executive Vice President
Carl M. Blumenschein, Senior Vice President and Controller
Harry E. Green, Senior Vice President and General Counsel
Paul W. Guenzel, Vice President and Treasurer
Laurence A. Combs, Vice President
Edward K. Meier, Secretary

Divisional Vice Presidents:

Paperboard Mills	Donn O. Jennings Robert E. Phinney William H. Richards William B. Whiting
Shipping Containers	Everett G. Temple, Senior Vice President Edwin H. Bixby G. William Colvin Macon M. Dalton Frank G. Jones James F. Tate
Folding Cartons	R. Harper Brown Paul A. Graf J. Donald Scott David C. Whitehouse
Fibre Cans	Robert J. Brockman
Plastics	Jerome S. Heisler
Overseas	Earl P. Kaufman Lennart M. Ulvaeus
Research	William P. Peters

Transfer Agents:

Harris Trust and Savings Bank, Chicago, Illinois
First National City Bank, New York, New York

Registrars:

Continental Illinois National Bank and Trust Company, Chicago, Illinois
Chemical Bank New York Trust Company, New York, New York

*Member of Executive Committee

